

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 OMB-01 SS-15
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DRAFTED BY NEA/ARP:FHGERLACH:SLB
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R 182056Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY JIDDA

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E.O. 11652: N/A

TAGS: EFIN, SA

SUBJECT: IMF FACILITY

1. TREASURY SECRETARY BLUMENTHAL AUGUST 12 RECEIVED FOLLOWING MESSAGE FROM SAG MIN FINANCE ABALKHAIL.
2. QUOTE: UPON MY REVIEW OF THE PARIS MEETING, I WOULD LIKE TO MENTION THAT THE SAUDI CONTRIBUTION TO THE IMF CREDIT FACILITY WAS DETERMINED WITH THE UNDERSTANDING THAT THE U.S. SHARE TO THE SAID FACILITY WILL REACH THE FUND. THIS WAS IN ACCORDANCE WITH OUR MUTUAL UNDERSTANDING WHEN I WAS IN WASHINGTON. WE WILL APPRECIATE IT IF THE U.S. SHARE COULD BE INCREASED TO THE UPPER LIMIT. THIS WILL HELP US TO JUSTIFY THE SIZE OF OUR CONTRIBUTION TO THE AUTHORITY. BEST REGARDS. UNQUOTE.
3. UNDER SECRETARY SOLOMON REPLIED AUGUST 17 AS FOLLOWS:

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4. QUOTE: IN SECRETARY BLUMENTHAL'S ABSENCE FROM WASHINGTON, I AM REPLYING TO YOUR CABLE OF AUGUST 12, 1977, REGARDING THE IMF CREDIT FACILITY.
5. YOUR CABLE NOTES THAT THE SAUDI CONTRIBUTION TO THE IMF CREDIT FACILITY WAS DETERMINED WITH THE UNDERSTANDING THAT THE U.S. SHARE TO THE SAID FACILITY WILL REACH THE FUND.

I WANT TO ASSURE YOU THAT WE FULLY UNDERSTAND AND APPRECIATE YOUR POSITION THAT THE SAUDI SHARE SHOULD NOT BECOME EFFECTIVE UNTIL THE U.S. SHARE BECOMES EFFECTIVE. IN THIS CONNECTION, I UNDERSTAND THAT THE IMF EXECUTIVE BOARD HAS AGREED TENTATIVELY THAT NO COUNTRY'S PARTICIPATION WILL BE ACTIVATED UNTIL FINANCING ARRANGEMENTS HAVE ACTUALLY BEEN ESTABLISHED BY AT LEAST SIX PARTICIPANTS WITH COMMITMENTS OF SDR 500 MILLION OR MORE, AND IN A TOTAL AMOUNT NOT LESS THAN SDR 7,750 MILLION. I BELIEVE THIS PROVISION WILL GIVE EACH OF THE MAJOR PARTICIPANTS FULL ASSURANCE THAT THEY WILL NOT BE EXPECTED TO PROVIDE FINANCING TO THE FACILITY UNTIL THEY ARE ALL IN A POSITION TO DO SO.

6. WE WILL BE SEEKING CONGRESSIONAL AUTHORIZATION FOR U.S. PARTICIPATION IN THE CREDIT FACILITY AS QUICKLY AS POSSIBLE, AND EXPECT TO SUBMIT NECESSARY LEGISLATION SHORTLY AFTER THE CONGRESS RECONVENES IN EARLY SEPTEMBER. WE BELIEVE THAT THE RELEVANT COMMITTEES CAN COMPLETE THEIR WORK QUICKLY, BUT WE THINK IT UNLIKELY THAT THE FULL CONGRESS WILL BE ABLE TO GIVE FINAL APPROVAL BEFORE THE SESSION ENDS IN MID-OCTOBER. CONSEQUENTLY, WE WOULD EXPECT FINAL APPROVAL SOON AFTER THE NEXT SESSION OF CONGRESS BEGINS IN EARLY 1978, AND WE WILL PRESS HARD FOR THIS RESULT.

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7. YOUR CABLE ALSO REQUESTS CONSIDERATION OF AN INCREASE IN THE U.S. SHARE IN THE FACILITY. I HAVE DISCUSSED THIS MATTER WITH SECRETARY BLUMENTHAL BY TELEPHONE, AND WE WANT TO MAKE CLEAR OUR PROBLEM. ONE OF OUR MAJOR CONCERNS THROUGHOUT THE DISCUSSIONS ON THE FACILITY HAS BEEN THAT THE U.S. SHARE MUST BE REASONABLE IN RELATION TO THE SHARES OF OTHER INDUSTRIAL COUNTRIES. WE BELIEVE THAT THE U.S. SHARE AGREED UPON IN PARIS--WHICH ALREADY REPRESENTS A MODEST INCREASE ABOVE THE SHARE PROPOSED BY MR. WITTEVEEN, WHICH WE ACCEPTED IN ORDER TO HELP BRING THE TOTAL FOR THE INDUSTRIAL COUNTRIES UP TO THE TARGET OF SDR 4.5 BILLION--IS AN EQUITABLE AND REASONABLE ONE. WE HAVE CONSULTED WITH THE CONGRESS ON THE PARIS AGREEMENT, INCLUDING OUR SHARE, AND WE ARE SATISFIED THAT THIS AGREEMENT PROVIDES A BASIS UPON WHICH WE WILL BE ABLE TO OBTAIN THE NECESSARY CONGRESSIONAL AUTHORIZATION FOR U.S. PARTICIPATION. HOWEVER, IN LIGHT OF THE VERY LARGE CURRENT ACCOUNT DEFICIT WE ARE EXPERIENCING WHILE THE OTHER PARTICIPANTS SUCH AS GERMANY AND JAPAN ARE RUNNING LARGE SURPLUSES, IT WOULD BE EXTREMELY DIFFICULT FOR US TO JUSTIFY A CONTRIBUTION LARGER THAN THAT WE HAVE AGREED UPON, AND VERY DOUBTFUL THAT WE COULD EVER GET THE NECESSARY LEGISLATIVE

AUTHORIZATION. IF THE FACILITY WERE NOT TO FAIL TO COME

INTO BEING FOR THIS OR ANY OTHER REASON, THAT WOULD HAVE
MAJOR ADVERSE CONSEQUENCES FOR THE INTERNATIONAL MONETARY
SYSTEM.

8. I HOPE YOU WILL UNDERSTAND THE REASONS FOR OUR INABIL-
ITY TO INCREASE OUR SHARE. THE SECRETARY AND I WANT TO
EXPRESS OUR SATISFACTION AT HAVING BEEN ABLE TO ADAPT OUR
POSITION TO MEET A NUMBER OF SAUDI CONCERNS ABOUT THE
FACILITY AT THE PARIS MEETING. WE LOOK FORWARD TO WORKING
CLOSELY WITH YOU IN THE FUTURE AND TO SEEING YOU IN RIYADH
EARLY IN OCTOBER. WITH BEST REGARDS. UNQUOTE.

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9. FOREGOING EXCHANGE FYI. NO ACTION REQUIRED. VANCE

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NNN

Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Sent Date: 18-Aug-1977 12:00:00 am
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition History: n/a
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Subject: IMF FACILITY
TAGS: EFIN, SA, IMF
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